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MEMORANDUM AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

IN AN AMOUNT EQUIVALENT TO US$7.8 MILLION

TO BARBADOS

FOR A

HUMAN RESOURCES PROJECT

JUNE 4, 1993

CURRENCY EQUIVALENTS

Currency Unit = Barbados Dollar (BDS$)
US$1.00 = BDS$2.00 (Appraisal Rate)

FISCAL YEAR

April 1 - March 31

ABBREVIATIONS AND ACRONYMS

BAS	Business Advisory Service
BCC	Barbados Community College
BNB	Barbados National Bank
BSSEE	Barbados Secondary School Entrance Exam
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CET	Common External Tariff
EPIU	Education Project Implementation Unit
ETF	Employment and Training Fund
GOB	Government of Barbados
MOE	Ministry of Education
NEB	National Employment Bureau
NTB	National Training Board
PEP	Public Expenditure Program
PPG	Public and Publicly Guaranteed
SAL	Structural Adjustment Loan
SJPP	Samuel Jackman Prescod Polytechnic
TVET	Technical and Vocational Education and Training
VAT	Value Added Tax

BARBADOS

HUMAN RESOURCES PROJECT

LOAN AND PROJECT SUMMARY

Borrower Barbados

Amount US$ 7.8 million

Terms 15 years including a five-year grace period, at the standard IBRD variable interest rate.

Financing Plan

	Local	Foreign	Total
	...............US $ Million...........		
Government	7.8	0.0	7.8
IBRD	0.9	6.9	7.8
Total	8.7	6.9	15.6

Rate of Return Not Applicable

Poverty Category Program of Targeted Interventions

Staff Appraisal Report 11319 - BAR

Map IBRD 24710

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO BARBADOS FOR A HUMAN RESOURCES PROJECT

1. I submit for your approval the following memorandum and recommendation on a proposed loan to Barbados for the equivalent of US$7.8 million to help finance a Human Resources Project. The loan would be at the Bank's standard variable interest rate for a term of 15 years, including a grace period of five years.

PART I. COUNTRY POLICIES AND THE BANK GROUP'S ASSISTANCE STRATEGY

A. Economic Policies and Performance

Background

2. Despite its small size -- a population of 255,000 and an area of 431 square km.-- and a relatively narrow resource base, Barbados established an impressive record of economic and social development since it gained independence from Great Britain in 1966. GNP per capita reached US$6,630 in 1991, the highest among the World Bank's active borrowers. Associated with this income growth was a steady and significant improvement in the distribution of income and social welfare -- in educational attainment, housing, and health and nutrition standards; the establishment of a solid social and economic institutional framework; and diversification of the country's economic base, from a monoculture exporting sugar, to a services oriented economy based on tourism and business services. A graduation program was initiated in 1984 which involved a seven-year phase-out period (FY85-91) to be supported by a Bank lending program of around US$9 million per year in new commitments, totalling US$63 million over the period.

3. As part of the graduation process, an economic mission visited Barbados at the end of 1990 to report on the state of progress (Barbados: Requirements for Sustained Development, Report No. 9545-BAR). The mission reviewed Barbados' development experience since 1966 and confirmed the country's achievements in terms of economic and social development, institutional capacity and access to capital markets. However, the mission also found that the economy's dynamism had begun to erode during the 1980s and, that as of end 1990, the economy was registering domestic and external imbalances of crisis proportions which called for urgent stabilization.

4. The origin of Barbados' economic difficulties can be traced back to the early to mid 1980s when its external competitiveness began to weaken. Domestic cost factors, stemming from expansionary demand management policies and reinforced by wage pressures, contributed to a real exchange rate (RER) appreciation over the 1980s. Moreover, trade and tax policies,

through a complex set of incentives and of government interventions, promoted the development of an inefficient import-substituting sector. Efforts to raise revenues often entailed "quick tax fixes" which compounded the tax system's anti-export bias and made it difficult to administer. By 1986, private investment had begun to decline and manufacturing output had tapered off, while the sugar industry continued its secular decline, draining an increasing volume of financial resources from the economy. Moreover, employment growth was unable to absorb new labor force entrants or displaced workers, so that unemployment rose to 15.5% of the labor force by 1989 from about 11% in 1980. Only tourism, aided by the weakening of the US$ vis-à-vis European currencies, continued to prosper. But even here, weaknesses in the industry began to emerge as a consequence of a mismatch between the quality and price of the product offered.

5. By early 1991, the key macroeconomic performance indicators -- the fiscal deficit, foreign exchange availability, and Central Bank credit to the public sector -- had reached unsustainable levels. Nevertheless, the country continued to maintain price stability. The budget presented to Parliament on April 2, 1991 introduced revenue measures to reduce the fiscal deficit and included a commitment to implement complementary expenditure reduction measures to restore domestic and external balance. In September 1991, following discussions with the IMF, the Government introduced a supplementary budget aimed at stabilizing the economy, and in February 1992 it entered into a 16 month IMF Stand-by Arrangement, supplemented by a purchase from the Compensatory Contingency Fund Facility (CCFF).

Stabilization Efforts and Outcome

6. The objective of the stabilization program was to regain financial stability while preparing structural reforms to improve conditions for economic growth. In order to maintain the long-standing exchange rate parity (Barbados has maintained an exchange rate of BD$2:US$1 since 1975), the adjustment effort centered on a sharp improvement in the public finances, and on the pursuit of tight monetary and incomes policies. Specifically, the program aimed at: (i) eliminating the overall fiscal deficit in FY92/93 through a combination of expenditure reduction and revenue enhancing measures, including lowering the wage bill through an across the board 8% cut in public sector wages and the release of 3800 workers (representing close to 10% of public sector employment) in FY91/92 followed by a wage freeze; (ii) implementing a restrictive monetary policy and replacing instruments of direct control with a more market-oriented approach; and (iii) introducing an incomes policy which, in addition to the public sector wage cut and subsequent freeze, entailed "wage guidelines" for the private sector calling for a two-year wage freeze of all contracts, with allowances for productivity bonuses and profit-sharing arrangements. Structural reforms initiated under the Stand-by included Parliament approval of a direct tax reform, preparation of an indirect tax reform proposal, divestment of three public enterprises, and restructuring of the Tourism Board, the sugar industry and the state-owned Barbados National Bank (BNB).

Table 1: KEY MACROECONOMIC INDICATORS, 1986-99

	1985-89 (average)	Actual 1990	1991	Est. 1992	Projected 1994	1997	1999
					(Based on Adoption of Comprehensive Structural Adjustment Program)1/		
Real GDP Growth Rate (%)2/	3.2	-3.3	-4.4	-3.7	2.0	3.5	3.5
Investment and Saving (% of GDP)							
Gross Domestic Investment	16.7	18.7	16.8	14.0	17.6	16.2	16.2
Gross Domestic Saving	17.3	17.3	15.0	13.8	16.9	16.2	16.5
Public Finances (% of GDP)3/							
Central Gov. Overall Balance	-3.8	-7.4	-0.7	0.3	0.3	0.5	1.0
Consolidated Public Sector Overall Balance	-4.7	-8.3	-1.2	-1.0	-0.5	0.0	0.5
Balance of Payments							
Current Account/GDP 4/	-0.3	-2.3	-2.1	-0.8	-0.8	0.3	1.0
Foreign Exchange Reserves as months of imports 3/ & 5/	2.3	1.0	2.0	2.4	3.4	3.5	3.5
Creditworthiness Indicators							
Total Debt/GDP	40.8	40.0	38.6	39.3	43.9	38.5	32.5
Total Debt/Exports (G&S)	69.7	76.7	77.9	79.1	71.8	60.8	50.7
Total Debt Service/Exports (G&S)	10.2	15.8	16.7	14.7	11.0	10.9	7.4
IBRD Exposure							
IBRD Debt/PPG Debt	8.7	7.1	6.8	6.7	9.3	10.6	8.5
IBRD Debt Service/Exports (G&S)	0.9	1.1	1.2	1.3	1.0	1.0	0.7
Preferred Creditor Debt Service/PPG Debt Service	38.4	22.0	20.5	34.3	40.7	45.7	36.9

1/ These projections are illustrative of a possible outcome combining a certain set of assumptions in a consistency framework.
2/ GDP at factor cost.
3/ Fiscal years; 1990 for example, refers to April 1, 1990 through March 31, 1991.
4/ Includes official transfers.
5/ Retained imports.

Sources: Central Bank of Barbados; IMF and World Bank staff estimates and projections.

7. The stabilization program was implemented decisively and rapid progress was achieved in restoring fiscal and external balance. The tightening of financial policies, together with increased private capital inflows and divestment receipts, helped replenish Central Bank gross liquid international reserves to about two months' import equivalent by end FY92. However, a number of the structural measures and institutional reforms contained in the program experienced delays, including the divestment of the targeted public enterprises, and the restructuring of the sugar industry, the Tourism Board and the BNB.

8. Meanwhile, the economic recession has continued to deepen because of weak tourism activity and domestic tightening of demand management policies. The decline in real GDP which began in 1990 continued through 1992, when a decrease of 4% is estimated. This represents a cumulative drop in output of about 12% over the last three years. All major sectors (except for non-sugar agriculture and business services) have continued to record negative growth. Unemployment has continued to rise to about 25% of the labor force by end 1992.

9. Three purchases (totalling SDR 14.7 million) were made under the Stand-by arrangement in 1992. Subsequent purchases have been delayed pending progress on structural measures and agreement with the Government on its medium-term policy agenda, in particular its incomes policy. All quantitative performance targets were, however, observed through March 1993. In its 1993/94 budget, presented in March 1993, the Government reversed the 8% two-year salary cut of the public sector, but announced a two-year global wage freeze throughout the economy. An IMF Article IV mission visited Barbados in mid-May.

The External Environment

10. Barbados' economy depends heavily on the export of tourism and international business and financial services, and to a much lesser extent on sugar and other manufactures. Tourism's performance is critical for Barbados' growth prospects. The sector currently contributes directly 12% of GDP, over 20% of total employment, and 60% of export earnings. Barbados' sugar exports (4% of export earnings) benefit from preferential market arrangements from the EC and US; however, due to poor sector performance, the country has not been able to meet its combined quota in both markets in recent years. Manufacturing exports (9% of export earnings) have also fallen in recent years and are essentially geared towards the protected CARICOM market. In terms of imports, Barbados is not too vulnerable to oil price changes since it produces half of its domestic oil consumption and all of its natural gas requirements.

11. Barbados' loss of competitiveness in tourism during the 1980s was accompanied by increased competition from other Caribbean destinations. Over the last few years, major competitors, such as Jamaica, Trinidad & Tobago and Guyana, have undertaken far reaching structural adjustment programs, which have improved their comparative advantage vis-à-vis Barbados, both for tourism and other exports. Other tourism destinations, such as the OECS countries, have also improved tourism infrastructure and services, and are increasing their share of the Caribbean market. As a result, while tourism continued to expand by 20% in Jamaica and 15% in the OECS during 1989-91, tourism arrivals in Barbados fell by a similar percentage. The prolonged recession in North America and in many European countries has exacerbated this decline since 1990. Current growth projections for industrialized countries imply that the demand for tourism in Barbados will remain sluggish and lag behind that of its competitors until the country improves its competitive position.

12. Exchange rate fluctuations among major currencies have also had an impact on Barbados' tourism performance. Barbados attracts a considerably higher proportion of European tourists

than many Caribbean countries. Close to 40% of all Barbados tourist arrivals originate in the U. K. and continental Europe, as compared to about 20% for the Caribbean as a whole. From the mid to late 1980s, Barbados benefitted from the slide of the US dollar vis-à-vis major European currencies. However, Barbados was negatively affected by the appreciation of the US dollar with respect to a number of European currencies which took place during the last quarter of 1992. While this situation was reversed in early 1993, if a significant appreciation of the US dollar were to occur in the future, it would further reduce Barbados' regional competitiveness.

13. Barbados' external debt is manageable. In 1992 it amounted to US$656 million or 39% of GDP while its total medium and long term debt stood at 26% of GDP; the interest to GDP ratio was 3%. The total debt service ratio peaked at 17% in 1991, and has declined since to about 15% in 1992, after Barbados redeemed two yen-denominated bond issues. The Bank's exposure is low; in 1992 the IBRD's share of Barbados' public and publicly guaranteed debt stood at 6.7% and its debt service represented 1.3% of Barbados' exports of goods and services. The recent financial improvements have enabled the country to improve its access to private capital markets. It obtained a US$12 million commercial loan in February 1993, repayable over a 3 year period.

Outlook

14. The outlook for Barbados will depend on the direction of economic policies the Government chooses over the next few months. Short term prospects for a rapid turn-around are not promising. Tourism has only improved modestly in the recent winter season and continues to face increasing competition from other Caribbean destinations. A major reform is required to improve the efficiency of the sugar industry; production is now at a historical low. Manufacturing prospects are bleak as the sector is inefficient and highly protected. It produces mostly for the limited CARICOM market, where Jamaica and Trinidad and Tobago have become the most efficient producers. Moreover, regulatory constraints and bureaucratic red tape have inhibited private investment. Recent revenue enhancing measures have also compounded the already high domestic costs and excessive tax burden through increases in taxes and import tariffs. The stabilization efforts have also resulted in an excessive reduction in public and private investment.

15. The Bank, the IMF and the IDB have been engaged for more than a year in discussions regarding the adoption of a comprehensive structural adjustment program. The Government is currently reviewing different policy options; however, no agreement has yet been reached with the multilaterals on the thrust or on the pace of the program required. This decision will affect Barbados' prospects for a sustainable economic recovery. In the short term, there is little room for enhancing growth through an increase in public expenditures. Such a course would increase the overall public sector deficit and renew foreign exchange pressures. Alternatively, if such expenditures were to be financed by income or indirect taxes, the incentives for private investment would be reduced and the economy's cost structure would be increased. Thus, strict stabilization policies need to continue. Another option would be to continue with the current

stabilization efforts while slowly moving towards structural reform. The country could then arrest the present economic decline and possibly resume very modest growth rates over the next few years. Such a recovery path, however, would be excessively slow and insufficient to rapidly reduce the high unemployment levels. To achieve a rapid recovery and restore growth back to its historical path, Barbados will need to adopt a comprehensive structural adjustment program aimed at improving its international competitiveness quickly. The key elements of such a program are described below.

The Development Agenda

16. To substantially improve its international competitiveness and reverse the economic deterioration of the past three years, Barbados will need to implement a comprehensive structural adjustment program centering on : (i) the establishment of a growth-oriented macroeconomic and incentive framework; (ii) public sector reform; (iii) improvements in targeting social assistance to vulnerable groups; and (iv) reform of the sugar and financial sectors.

17. **Macroeconomic and Incentive Framework.** The stabilization program has succeeded in improving the fiscal accounts and the Central Bank's foreign exchange position. However, additional structural adjustment measures to rapidly reestablish its international competitiveness, i.e. rapidly improving its RER, are needed to provide the basis for restoring growth and reducing unemployment. These include reforming the trade regime, lowering labor costs in real terms, streamlining the tax regime, and improving the framework for private sector development.

18. Barbados needs to rapidly implement a comprehensive trade reform program to sharply reduce the economy's cost structure, improve resource allocation and realign incentives to stimulate exports. The trade regime is extremely distorted and complex and relies heavily on differential tariff rates, import surcharges, and quantitative restrictions. Trade taxes have aimed at protecting the import-substituting manufacturing and agricultural sectors and have generated a strong anti-export bias and a wide dispersion of effective protection. The regime has become progressively less transparent over time; special provisions and exemptions are applied on a case-by-case basis, leading to a complex and costly tax administration system. The main agenda in trade reform includes rapid movement to reduce the Common External Tariff (CET) tariff to a 5-20% band, in line with the recent "fast track" Caribbean Community (CARICOM) agreement, and elimination of stamp duties and other import surcharges, and of quantitative restrictions.

19. Lowering labor costs in real terms will also be critical for the success of the structural adjustment program. The stabilization program envisaged a gradual realignment of the RER through fiscal, monetary and wage restraint. While real wages have fallen slightly, no significant RER depreciation has occurred so far. Therefore, a continued commitment by Barbadian society to a strict policy of fiscal, monetary and wage restraint remains essential as well as a consensus on the need to significantly lower real wages. Steps also need to be taken

to improve labor mobility and employment generation through a review of the severance payment system, of the existing legal framework and practices governing industrial relations, and through reductions in the level of payroll taxes.

20. Under the current stabilization program, Barbados has initiated a reform of its direct tax system, which will be implemented gradually over the next three years. The new system aims at simplifying and reducing the various payroll taxes and levies; lowering the maximum individual tax rate and harmonizing the individual and corporate income taxes and social security schemes; and at broadening the tax base to allow for a reduction in taxes on low-income earners. The maximum tax rate is high (40%) and has to be brought down to the levels prevailing in most of Barbados' CARICOM partners so that Barbados can compete on equal grounds for new investment. In addition, Barbados will need a major simplification of its indirect tax regime and replacement of the various consumption taxes by a value added tax. The present consumption and services tax system is extremely complex and full of anomalies, and the cost of collection and of ensuring compliance has been increasing. The VAT implementation is also critical to support the trade reform package by providing a more flexible and less distortionary revenue source.

21. The climate for private investment has worsened in recent years; private investment has stagnated since the mid 1980s. Enhancing the role of the market as the mechanism for resource allocation by implementing a more neutral incentive framework along the lines discussed above is crucial to improve the environment for private sector development. However, further streamlining of procedures and administrative barriers will also be needed. Key measures include: (i) revision of the bankruptcy law to facilitate reorganization of companies; (ii) revision of the land use policy which places very rigid restrictions on the sale of agricultural land and allows for a high degree of government discretion; (iii) improvement of the transparency and automaticity of the fiscal incentives regime; and (iv) simplification of registration procedures for new investments.

22. **Public Sector Reform.** For more than two decades, the public sector has played an important role in the country's development. Heavy public investment in infrastructure and social services contributed to underpin rapid economic growth, social development, and a favorable distribution of income. However, the progressive extension of the public sector, including a widespread involvement in commercial and industrial activities, contributed to the loss of efficiency of public services, crowding out of private investment, and deterioration of the public finances while increasing the country's levels of taxation. Additionally, over the last two years, the urgency to balance the fiscal accounts resulted in expenditure cuts that have further deteriorated the quality of public services and focused excessively on capital expenditure. A major public sector reform is therefore needed to reduce and reorient the Government's role in the economy. The main objectives of such a reform would be to: (i) expand and accelerate the Government's divestment program to include all industrial and commercially oriented enterprises; (ii) restructure the level and composition of public expenditure to further reduce transfers and current expenditure, and to increase investment; and (iii) streamline the

bureaucracy and review its functions in line with an increased role for the private sector as the main engine of growth.

23. The quality of the public sector in Barbados has traditionally been very high. However, recent layoffs and across the board salary cuts were not designed within a comprehensive review of the public service. Despite the recent layoffs, some departments are still overstaffed while others have been losing senior civil servants. Further streamlining of the administration is still needed. However, actions to reduce the public sector wage bill will need to be made within a close review of the future role of the public sector in the economy, and be implemented in line with salary movements in the private sector to enable the public sector to retain qualified personnel in its core functions. In the meantime, selective technical assistance will be required to strengthen the administration's capacity to implement the structural adjustment program.

24. **Social Dimensions of Adjustment.** Barbados has achieved social indicators comparable to those in developed countries. In addition, the country managed to substantially eliminate poverty. Life expectancy at birth is about 75 years. Illiteracy is virtually nonexistent, and the educational level of the labor force is high, with over 70% having at least a secondary education, and about 50% employed in white collar work. The country's impressive past economic performance, together with its liberal and comprehensive social welfare system and well-developed safety net, contributed to this outcome. However, the welfare system is extremely costly and somewhat inefficient, and it is being strained by rising unemployment and fiscal restraint measures. Barbados' social services priorities need to be redirected to the truly needy groups, including the newly unemployed, women, especially those heading households, and children under age 16. In addition, productivity needs to be increased by strengthening the education system. Moreover, a review of the education and health sectors, social security benefits system, and the social welfare agencies needs to be undertaken in order to achieve a more equitable and cost-effective delivery of services. Improved targeting, introducing reasonable user charges to recover costs in education and health, and a more reasonable benefits/contribution ratio in the Social Security System need to be achieved. The issues related to the education sector are being addressed by the proposed Human Resources Project.

25. **Agricultural and Financial Sector Reform.** The main issue confronting the agricultural sector is the increased losses of the sugar industry, which represent 50% of agricultural output. The sugar industry is in a state of crisis and has become one of the least efficient in the world; its output currently stands at less than half its 1980 level. Production costs are high and the industry is heavily indebted and poorly managed. Furthermore, sugar debts have placed the state-owned BNB in a perilous financial state, representing a threat to public confidence in the financial sector, as BNB holds about a quarter of the banking system total liabilities to the public. The Government has recently begun to implement a broad-based plan to rehabilitate the industry, modify the land use policy -- which severely restricts the conversion of land to other uses -- and restructure the BNB. Rapid implementation of this program will be essential.

26. **Environmental Issues.** Protecting the environment is necessary for the long-term sustainability of Barbados' development, as tourism depends largely on natural resource exploitation. Recent studies point to the degradation of the marine ecosystem, comprising reefs, near-shore fisheries and coastal areas, mainly resulting from soil erosion and household and commercial liquid and solid wastes. The Government has a development plan to address these issues and needs to urgently implement an environmental protection policy focussing on the establishment of an integrated national network of protected areas and national parks, new environmental legislation, public investment in waste management, and regional environmental preservation initiatives. While assistance in these areas is currently provided by the IDB, care will need to be taken to ensure continued focus on the environment, while undertaking the broad-based adjustment program required to resume and sustain growth.

B. Bank Assistance and Graduation Strategy

27. Barbados became a member of the Bank in 1974. Since then, it has received, net of cancellations, US$95.4 million in loans for eleven projects. These include assistance in the education, tourism, industry, power, highway and agriculture sectors as well as the financing of technical assistance to support the Ministries of Finance and Planning, and of Agriculture. In addition, the Caribbean Development Bank (CDB) has on-lent US$6.7 million to Barbados from resources provided by the Bank. Since 1984, when the graduation strategy was elaborated, US$35.2 million have been committed for three projects in the areas of secondary education and training (US$10.0 million), agriculture development (US$4.0 million), and road maintenance and rehabilitation (US$21.2 million). These projects, together with the proposed Human Resources Project (US$7.8 million) outlined in this report, meet the objectives of the phased graduation program, viz., to strengthen Barbados' institutional capacity so that it can finance and implement future projects on its own. Progress in implementing the graduation program has been slow, however, due to delays in reaching agreement on the scope and objectives of specific operations. As a result, about US$20 million still remain uncommitted under the program. The Government has requested the Bank to consider using the balance under the program for a proposed Structural Adjustment Loan.

28. In general, project implementation has been satisfactory, thanks to the high quality of the civil service. The ongoing portfolio only includes the three projects approved by the Board as part of the graduation strategy. The Second Education Project, approved in May 1986, is nearing completion; the Agriculture Development Project, approved in February 1987, has progressed satisfactorily, except for slow progress on the credit line due to weak demand; and the Second Road Maintenance and Rehabilitation Project approved in May 1992, has only been made effective recently.

29. In 1992, the Government requested the assistance of the World Bank and the IDB in the development of a comprehensive structural adjustment program to complement the IMF supported stabilization effort. The objective of the program is to identify and address the key structural issues affecting the economy in order to provide an appropriate policy framework to

reestablish and enhance the country's growth prospects. After a detailed joint review of the issues, it was agreed that the World Bank would focus on the incentive framework (trade/tax reform and labor markets); public sector reform (divestment and public expenditure rationalization) and the social programs; while the IDB would focus on the reform of the agricultural and financial sectors and the regulatory framework for private investment. The adjustment program would be supported by two parallel operations by the IDB and the World Bank, and would be based on an IMF funded stabilization program being in place. On this basis, the IMF would provide assistance in elaborating a growth-oriented medium-term economic framework and in monitoring the key macroeconomic parameters under which the adjustment program would be prepared. Possible Bank support would be provided under a proposed Structural Adjustment Loan (SAL), and IDB support through an Investment Sector Loan.

30. The objective of the proposed Bank SAL would be to assist Barbados in supporting a growth oriented framework over the medium-term, to enable the country to arrest its economic deterioration and provide expanding employment opportunities to its population on a sustainable basis. Given the close complementarity between stabilization and structural adjustment, within a still fragile macroeconomic framework, as well as the balance of payments requirements that a growth oriented framework would entail, the Government was informed that continued IMF financial involvement beyond the expiration of the current Stand-by Arrangement at end-May 1993 would be essential as a condition for Bank support. In view of Barbados' relatively high per capita income, primary recourse has to be placed on the use of IMF resources for financing balance of payments gaps and to rebuild external reserves. The Bank's role would be to provide supplementary financial support to facilitate the introduction of key structural reforms, in particular to meet the external financing needs associated with the rapid trade liberalization required. In the meantime, the Bank agreed to provide technical assistance funds needed for the preparation of the programs of trade liberalization, divestment and public expenditure rationalization, and development of the VAT proposal through the Japanese Grant Fund and the Bank's Institutional Development Fund.

31. Should the Government decide to proceed with the proposed SAL, it would be the last operation under the Barbados graduation program. It would provide resources to underpin a major policy reform program and help Barbados adjust its economy to the heightened world competitive environment. It would also entail a continuing policy dialogue with the authorities over a sufficient period to see the economy turn around. It thus offers the opportunity to see Barbados graduate under the best circumstances. Should the Government decide not to proceed with a SAL, however, or should agreement be delayed beyond a reasonable period, the proposed Human Resources Project would be the last IBRD operation under the graduation program.

IFC and MIGA

32. The International Finance Corporation's only investment in Barbados consists of an equity contribution of US$0.3 million in 1984 in the Caribbean Financial Services Corporation which finances production ventures in the Caribbean region. The Corporation also provided a loan of

US$1.25 million in 1986 for upgrading a tourist hotel. The Business Advisory Service (BAS) of IFC covers the Eastern Caribbean Region from its Barbados regional office. However, recent activities in Barbados itself have been limited to two small projects -- a wildlife reserve in 1991 and the conservation of a plantation as a tourism attraction planned for 1993 -- in line with the deterioration of the private investment climate. BAS also acts as financial advisor in the ongoing privatization of LIAT, the regional airline, in which the Government of Barbados has shares. Barbados became a member of MIGA on April 12, 1988.

Relations with the IMF and the IDB

33. The Bank has been working in close collaboration with the IMF and the IDB in the elaboration of the structural adjustment program required in Barbados. Review of progress and exchanges of views on competitiveness and policy options have been held at regular intervals among the three institutions. The IDB is Barbados' most important donor and has a large ongoing program. The IDB would also complement the Bank's efforts by preparing a technical assistance operation to support improvements in tax administration and the implementation of the VAT. To be successful, the proposed adjustment program will need to involve continued close cooperation among the three institutions, in view of the complementarity of the programs supported by each.

Summary Assessment

34. Barbados has achieved very high levels of economic and social development, but is currently facing major challenges in its economic policies to adjust to a changing world environment. The policy agenda facing the country involves a fundamental review of the incentive framework to improve its competitiveness, and of the role of the public sector in the economy. The country needs to resume rapid economic growth in order to reduce the prevailing high unemployment, and to improve its productivity levels in order to maintain and further improve current standards of living. This requires decisive actions to improve the incentive system for private sector investment and to strengthen the country's human resource base. In the short term, the margin for flexibility is, however, limited, and the country needs to pursue strict stabilization measures while it undertakes the structural adjustment program needed.

35. In view of Barbados' economic, social, and institutional achievements, primary recourse for financial and technical assistance should be placed on Fund and market resources. However, a coordinated approach by all multilateral institutions may be required to assist Barbados in its efforts to arrest the present economic decline and to resume a growth path. Thus, flexibility in the graduation program is required. Should Barbados decide to implement decisively its structural adjustment program, specific targets and objectives covering the whole development agenda would be embodied in the operations supported by the IMF, the IDB and the World Bank. The ultimate test of this joint effort would be whether the country succeeds in reestablishing its impressive growth record over the last 25 years on a sustainable basis.

PART II. THE EDUCATION SECTOR AND THE PROJECT

A. Education and Training Sector

36. In spite of the impressive coverage achievements of the post-independence era, the education and training system still suffers from problems of quality and efficiency. Quality issues in basic education include: weaknesses in instruction, lack of textbook and instructional materials/technologies, inadequacies in infrastructure, institutional weaknesses and deficiencies in the examination and certification system. The current examinations system has adverse effects on the curriculum and instruction, and ultimately on the quality of education, and on learning achievement. The Barbados Secondary School Entrance Exam (BSSEE) is still used mainly as a selection mechanism for allocating secondary school places, even though capacity is now considered adequate. At the primary level, the BSSEE tends to restrict the curriculum in the upper classes to subjects tested on the exam, and to lead to a disproportionate attention devoted to students likely to do well, to the detriment of the less able students. At the secondary level, the BSSEE has a demotivating effect on schools receiving a high proportion of students with low marks, reinforces the public perception of a pecking order of schools, and results in a substantial amount of remediation, particularly since 50 percent of the primary school children perform poorly on the exam. Moreover, the selection at the age of eleven does not take into account that children develop at different rates. Additional concerns include the relatively low achievement rates and the limited certification of secondary school graduates. The education system produces a small, highly educated elite, while many young people leave school with no recognized qualifications and poor functional skills for coping with the labor market.

37. Public technical and vocational education and training (TVET) programs at the post-secondary level play a pivotal role in the provision of skilled manpower, particularly as the number and scope of private sector training activities are limited. The quality of these programs is especially poor, as there tends to be a strong focus on academic training. Qualitative deficiencies stem from a virtual absence of teacher training programs, lack of access to instructional materials, curriculum deficiencies, and lack of pay equity for instructors. Targeted training programs, aimed at youths, unemployed workers, and civil servants, are in need of revitalization to meet growing demand. The National Training Board (NTB) has the legislative mandate for high-level strategic planning and coordinating of TVET but its activities have been focused on the provision of basic skills training. Managerial weaknesses and the absence of a strong institutional framework for the TVET sub-sector are reflected in the lack of a national training plan, duplication in courses/programs at the post-secondary level, and absence of promotional campaigns to attract competent candidates. During this period of stabilisation and restructuring, it will be increasingly important to improve the coordination of TVET programs and responsiveness to private sector needs. Likewise, complementary efforts are needed to strengthen public employment services, which cater mainly to the lower end of the labor market, and to improve the production and dissemination of labor market information essential for planning purposes. Cognizant of these deficiencies, the Government has recently agreed to limit the activities of the NTB to basic skills training and to establish a Policy Coordinating Council,

which would: (i) formulate TVET policies, plans and investment priorities; (ii) establish standards and performance targets for TVET programs; (iii) coordinate the provision of TVET programs; (iv) advise on the overall resource allocation for TVET; and (v) administer an Employment and Training Fund aimed at financing skills upgrading of unemployed workers and in-company training.

38. Public expenditures on education and training have historically averaged about 20% of the Government's recurrent budget, or roughly 6% of GDP, placing Barbados towards the upper end of the spectrum in terms of educational outlays in the Caribbean, and in the developing world. Since the recent economic downturn, the Ministry of Education (MOE) recurrent budget dipped to about 16% of the total Government recurrent budget. Authorities recognize that in this environment of fiscal austerity it will become increasingly important to address with renewed vigor cost efficiency and cost recovery issues. Student/teacher (S/T) ratios in Barbados are low (20:1 and 18:1 in primary and secondary education, respectively) in comparison to comparable middle-income countries, where they tend to average about 30:1. During the past decade, efforts to raise these ratios have not yielded positive results, even though within the last two years the trend has been improving. At the primary level, the problem is compounded by the existence of a large number of small schools, while in secondary education the key issue is the wide range of subject options provided, particularly in technical/vocational programs. To raise S/T ratios, the MOE has now adopted the following remedial strategies: (i) continue the amalgamation of small, uneconomical schools; (ii) introduce multi-grade teaching; (iii) expand pre-primary enrollments and accommodate a growing number of secondary school students affected by the closure of private schools; and (iv) concentrate TVET course offerings to upper secondary and/or to a limited number of schools. Likewise, MOE officials recognize that while Erdiston Teacher Training College has historically played a pivotal role in the provision of initial teacher training, its mandate needs to be revised, in light of the projected decline in school enrollments and the adequate pool of trained teachers. Government has therefore suspended initial teacher training at the primary level and has taken the decision to consolidate all in-service teacher training at Erdiston College.

39. As the Government grapples with the deteriorating financial situation, various initiatives are also being taken to develop new financing policies and raise cost recovery, which now represents about 3% of the total education recurrent budget (i.e., textbook rental, petty fees, evening school fees). In the last year, the Barbados Community College (BCC) has taken an active role in elaborating a new cost recovery policy; the Samuel Jackman Prescod Polytechnic (SJPP) has introduced materials fees; and the MOE has instituted nominal school meal fees and raised the annual textbook rental fee in secondary education from BDS$20 to BDS$75. While the introduction of these measures constitutes an important step in the right direction, the overall level of revenues generated remains modest, particularly since the GOB has been reluctant to introduce fees at the University, even though from an equity point of view this seems essential. There is now a growing recognition that Barbados will be compelled to join the ranks of countries which have introduced a fee collection system at the tertiary level, even though authorities express concerns over the pace and scope of these policy reforms. The priorities at

this stage are to monitor the impact of the recently introduced fees; to elaborate a comprehensive cost recovery program (with explicit exemption guidelines for the poor); and to carry out public information campaigns to foster a broad based national consensus.

40. The Government's overall education strategy is to improve quality, cost efficiency and educational opportunity. A comprehensive education reform has recently been launched with the following objectives: (i) replace the BSSEE with continuous assessment exams to improve learning achievement; (ii) permit access to secondary schools from the catchment area, which would lower transportation costs; (iii) introduce certificates of learning; (iv) provide a broad based lower secondary education (up to 3rd form) to increase flexibility and employability; and (v) concentrate/consolidate TVET course offerings in upper secondary and/or in strategically placed schools, which would generate considerable cost savings. The Government's TVET strategy aims to: (a) raise effectiveness, efficiency and responsiveness of public TVET programs; (b) improve management and planning; and (c) encourage the expansion of private sector training. The centerpiece of this strategy is the establishment of the TVET Policy Coordinating Council/Employment and Training Fund (ETF). The ETF would form the pillar of the Government's strategy for alleviating the adverse effects of the structural adjustment program, for enabling Barbadian workers to acquire the skills necessary to respond to emerging opportunities resulting from the economic restructuring, and for contributing to long-term human capital development. The Government also proposes to improve conditions for job-seekers by strengthening public employment services and streamlining registration procedures, and to enhance the quality and timeliness of labor market information.

B. The Project

Project Objectives

41. The principal objective of the proposed project would be to strengthen the country's human capital base by expanding the availability of trained manpower. The specific objectives would be to: (i) strengthen the quality and efficiency of basic education, with a view to raising student achievement; (ii) improve the effectiveness, efficiency and responsiveness of TVET; and (iii) reinforce employment services and labor market information. To these ends, the project would include four components: General Education Support, TVET Development, Labor Market Support, and Project Administration.

Project Description

42. The **General Education Support Component** (US$4.9 million equivalent, including contingencies) aims to reinforce the basic education foundation by improving the quality of services and raising internal efficiency. This objective is also supported by a parallel-funded IDB operation. The upgrading of general education would be accomplished through the provision of: staff training; textbooks/reference materials (IDB); learning resources; infrastructure upgrading (IDB); reinforcement of MOE institutional capabilities (IDB); as well

as design and reform of the national examinations/certification system and costs/financing policies. The project would support the expansion of innovative and cost-effective instructional strategies such as multi-grade teaching and school-based training. The **TVET Development Component** (US$9.3 equivalent million, including contingencies) aims to increase the effectiveness of TVET programs through the provision of key inputs to the learning process (i.e., instructor training, learning resources, curriculum/program development and institutional reinforcement) and to raise efficiency through increased sharing of facilities, expanded use of program review/evaluation procedures, and introduction of user fees in post-secondary education. Responsiveness would be improved through the introduction of flexible curricula, use of contract training, and increased accountability of institutions. A new multi-certification level teacher training program would be implemented, two teacher resources centers would be established, curriculum development specialists would be trained, and support for selective TVET training programs for unemployed youths and civil servants, and for the establishment of a BCC industry service unit, which would operate on a cost recovery basis, would be provided. Institutional capabilities would be bolstered by providing assistance to the new TVET Policy Coordinating Council/ETF for elaborating a National Training Plan, performance targets, and an articulation manual. The **Labor Market Support Component** (US$0.5 million equivalent, including contingencies) would provide support for computerizing the employment information and placement system and strengthening educational and occupational counselling at the National Employment Bureau, and increasing the capacity of the Manpower Research and Statistical Unit to analyze and disseminate labor market information. The **Project Administration Component** (US$0.9 million equivalent, including contingencies) aims to strengthen the Education Project Implementation Unit (EPIU) through local consultancies, staff training, and equipment.

Project Management and Implementation

43. Given the complexity of the proposed project and the number of ministries involved (Education, Labour, Community Development and Civil Service), and in light of the long standing experience and good track record of the EPIU, this unit would continue handling procurement, accounting, and auditing for all project activities. Each ministry would make provisions in its own budgetary allocation for expenditures related to the its respective components. An interministerial committee, chaired by the head of the MOE Planning Unit and comprised of representatives of the beneficiary ministries, will oversee and monitor the implementation of the policy and institutional development activities. The committee would be responsible for coordinating the elaboration of reform measures, preparing annual work programs, budgets, and bi-annual status reports, and participating in annual evaluations.

Project Sustainability

44. At project completion in 2000, the annual incremental recurrent costs are estimated to be US$1.3 million equivalent, which would represent about 0.2 percent of the projected Government recurrent budget, and less than 10 percent of the expected savings from the cost

efficiency (increases in student/teacher ratio) and cost recovery (introduction of tuition fees) measures supported under the project. The Government should be in a position to absorb these modest incremental recurrent costs.

Lessons Learned from Previous Bank Involvement

45. The Government of Barbados has received two Bank education loans (representing a total of US$22 million equivalent), which have contributed to broadening educational opportunity and raising quality and relevance, but have fallen short of their objective of improving cost efficiency. The key lessons learned from the implementation of these projects, which were integrated into the design of the proposed operation are: (i) a coherent policy reform agenda with specific quantitative targets must be elaborated and monitored closely by both the Government and the Bank; (ii) linkages between technical assistance/fellowships and project goals must be strengthened; and (iii) procurement procedures should be strengthened by involving beneficiary institutions in the elaboration of technical specifications.

Rationale for Bank Involvement

46. The rationale for Bank support is that this project would be instrumental in the design and implementation of pivotal reform measures, in addition to providing an essential complement to a parallel IDB-financed project (US$14.5 million, of which IDB funding is US$11.6 million) aimed at improving basic education and institutional strengthening of the MOE. Moreover, it would consolidate the achievements of the first two projects, support the Government's education reform initiative, and leave in place the framework for improved management of the education and training system.

Agreements Reached

47. *During negotiations*, overall agreement was reached with the Government on the following documents submitted for approval: (i) standard bidding documents, design plans, implementation schedules, and updated cost estimates for all civil works components; master lists for procurement of equipment, furniture, and books and estimated value of contracts; and terms of reference for consultancies and studies; (ii) draft education development plan (1993-2000), which reflects the Government's policy framework; (iii) legal provisions for establishing the new TVET Policy Coordinating Council/Employment and Training Fund (ETF) and for effecting changes in the National Training Board's mandate; (iv) the 5-year education public expenditure program and the 1993/94 budget estimates, which are consistent with the Government's education strategy, and reflects adequate levels of counterpart funding and non-salary operating budgets for the entities supported under the project; (v) future mandate of Erdiston College; and (vi) institutional arrangements for project implementation.

48. *As conditions of effectiveness*, (i) take all necessary actions for revising the mandate of the NTB, and for establishing the TVET Policy Coordinating Council/ETF, with an appropriate

structure, mandate, and staff, which is acceptable to the Bank; (ii) adopt a set of regulations, acceptable to the Bank, for the operation of the ETF; and (iii) appoint an executive director an administrative and financial officer, and an expert in training fund management, all with functions, qualifications and experience satisfactory to the Bank.

49. *As condition of disbursement* for project activities related to the upgrading of Erdiston College, including acquisition of furniture and equipment, no funds will be disbursed unless the Bank has received final design plans, cost estimates and technical specifications, all satisfactory to the Bank.

50. The following actions have been agreed upon to ensure successful implementation of the project: (a) submit to the Bank (no later than December 1993) a detailed, time-bound action plan, satisfactory to the Bank, for restructuring of Erdiston College, which would provide for: implementation of the revised mandate; adoption of cost-effective teaching modes that take into account the projected demand for in-service training; staff reduction targets and discontinuance of initial teacher training at the primary level; and implement agreed upon action plan; (b) submit to the Bank (no later than December 1993) a time-bound action plan for reducing the unit cost of technical/vocational courses in secondary education through the concentration/consolidation of course offerings in upper secondary education and/or in strategically placed schools; and implement plan according to agreed upon timetable; (c) design a program, acceptable to the Bank, (not later than August 31, 1996) for the delivery of flexible training to the private sector at the BCC; and establish a division (Industry Services Unit) at the BCC for administering the program, which would operate on a cost recovery basis; (d) improve the internal efficiency of the education and training system by progressively raising S/T ratios, so as to reach 23:1 in primary education and 19:1 in secondary education by January 31, 1996, and maintaining them above these levels thereafter; (e) submit to the Bank (not later than December 31, 1994) a time-bound cost recovery program for the tertiary institutions (UWI, BCC, SJPP, Erdiston College), and thereafter implement the program; (f) submit to the Bank through the TVET Policy Coordinating Council (not later than December 31, 1996) a National Training Plan, performance targets for post-secondary TVET programs, and an articulation manual; (g) submit to the Bank for its review and approval (not later than January 31 of each year) the proposed rolling five-year public expenditure program (PEP) for the education and training sector, and the evidence of actual expenditures incurred in the education sector in the previous year (not later than May 31 of each year); and implement the PEP; (h) submit bi-annual progress reports to the Bank not later than July 31 and December 31 of each year; and an annual work program (not later than January 31 of each year); (i) hold annual reviews with the Bank during the first quarter of each year and a mid-term evaluation in 1997; and (j) maintain the TVET Council, the EPIU and the Interministerial Committee with functions, structure and staff satisfactory to the Bank and operate the ETF in accordance with the regulations agreed with the Bank.

Environmental Impact

51. The project would have a positive environmental impact to the degree that environmental awareness themes are integrated in the teacher training program, and TVET institutions produce trained technicians (i.e., electricians, equipment maintenance specialists) who would represent a source of manpower for industry and environmental projects. No adverse environmental effects are expected from the civil works activities to be funded under the project.

Program Objective Categories

52. The project is under the human resources development category. Targeted assistance would be provided to youths, unemployed workers, and civil servants through various training programs. The ETF would serve as the key mechanism for targeting training and retraining activities aimed at vulnerable group (e.g., retrenched workers or those about to become retrenched).

Project Benefits

53. The principal benefits of the project are the quality, efficiency and equity gains. Reform of the national examinations and certification system would broaden educational opportunities and the design/introduction of cost and financing strategies would allow the Ministry of Education to cope with the challenge of increasing quality in light of growing fiscal pressures. The establishment of a Policy Coordinating Council would enhance policy, planning, and coordinating capabilities in the TVET sub-sector while the creation of an Employment and Training Fund would allow the Government to address the retraining needs of the labor force. Strengthened employment services would contribute to accelerating labor absorption and lowering unemployment benefits.

Project Risks

54. The project faces the following risks: (i) uncertainty over the macroeconomic environment, which may adversely affect the availability of counterpart funds, and the returns to investments in the TVET and labor market components; (ii) the potential difficulties the Government may face in addressing politically and socially unpopular sector issues, such as redundancy in the teacher corps and user fees; and (iii) the complex and broad scope of the operation. To minimize these risks, the operation would be phased over a 7-year period, assurances will be sought on the timely availability of Government funds, sufficient financing would be provided to carry out workshops aimed at generating a broad based consensus for policy reforms, and an appropriate institutional arrangement for project implementation would be supported by the project through training and technical assistance.

Recommendation

55. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank, and recommend that the Executive Directors approve it.

Lewis T. Preston
President

Attachments
Washington, D.C.
June 4, 1993

Schedule A

BARBADOS

HUMAN RESOURCES PROJECT

Estimated Costs and Financing Plan

Estimated Costs:	US$ Million		
	Local	**Foreign**	**Total**
A. General Education Support	1.8	2.2	4.0
B. Technical and Vocational Education and Training	4.5	3.1	7.7
C. Labor Market Support	.1	.3	.4
D. Project Administration	.8	.1	.9
E. Project Preparation Facility	.2	.3	.5
TOTAL BASELINE COSTS	7.4	6.0	13.4
Physical	.3	.3	.6
Price	1.0	.6	1.6
TOTAL PROJECT COSTS	8.7	6.9	15.6

Note: Columns may not add due to rounding.

Financing Plan:	US$ Million		
	Local	**Foreign**	**Total**
Government	7.8	0.0	7.8
IBRD	0.9	6.9	7.8
TOTAL	8.7	6.9	15.6

Schedule B

BARBADOS

HUMAN RESOURCES PROJECT

Procurement Methods and Disbursements

Procurement Methods (US$ Million)

Category of Expenditure	ICB	LCB	Other/a	N.A.	Total Cost
Civil Works		1.6 (0.3)	- -	- -	1.6 (0.3)
Equipment and Training Materials	2.2 (2.2)	0.9 (0.4)	0.1 (0.1)	- -	3.2 (2.7)
Furniture	-	0.6 (0.5)	-	- -	0.6 (0.5)
Books & Reference Materials	-	-	0.6 (0.5)	- -	0.6 (0.5)
Professional Fees	-	-	0.2 (0.1)	- -	0.2 (0.1)
Technical Assistance	- -	- -	5.1 (2.6)	- -	5.1 (2.6)
Training	- -	- -	1.1 (0.5)	- -	1.1 (0.5)
Incremental O & M and Staff Salaries	- -	- -	- -	2.7 (0.0)	2.7 (0.0)
PPF	- -	- -	0.5 (0.5)	- -	0.5 (0.5)
Total	2.2 (2.2)	3.1 (1.2)	7.6 (4.4)	2.7 (0.0)	15.6 (7.8)

Note: Figures in parentheses are the respective amounts financed by the Bank.
N.A. - Not Applicable

/a Other procurement procedures include: international and local shopping; negotiated purchases for books and journals; and consulting services.

Disbursements by Category

The loan will disburse the following percentages, by category of expenditure:

- 20 percent of civil works
- 100 percent of foreign expenditures of directly imported goods and 85 percent of locally procured goods such as equipment and training materials, furniture, books and reference materials
- 100 percent of foreign consulting services
- 35 percent of local consulting services and professional fees (including architectural and engineering fees)
- 100 percent of overseas and local training and study tours.

Estimated Schedule of Disbursements (US$ million)

ANNUAL FY	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY2000
Annual	0.5	0.5	0.3	1.8	1.5	1.8	0.9	0.5
Cumulative	0.5	1.0	1.3	3.1	4.6	6.4	7.3	7.8

Note: FY93 disbursements refer to the PPF funds.

Schedule C

BARBADOS

HUMAN RESOURCES PROJECT

Timetable of Key Project Processing Events

(a)	Time taken to prepare	14 months
(b)	Prepared by	- Ministry of Education - Ministry of Labour, Consumer Affairs, and the Environment - Ministry of Housing, Lands, Community Development and Culture - Ministry of Civil Service
(c)	First Bank Mission	December 1991
(d)	Appraisal Mission Post-Appraisal Mission	June/July 1992 February 1993
(e)	Date of Negotiations	May 1993
(f)	Planned Date of Effectiveness	November 1993
(g)	Relevant PCRs and PPARs	First Education and Training Project (Loan 1642-BAR)- PCR, May 4, 1989 PPAR, May 6, 1991

Schedule D

STATUS OF BANK GROUP OPERATIONS IN BARBADOS

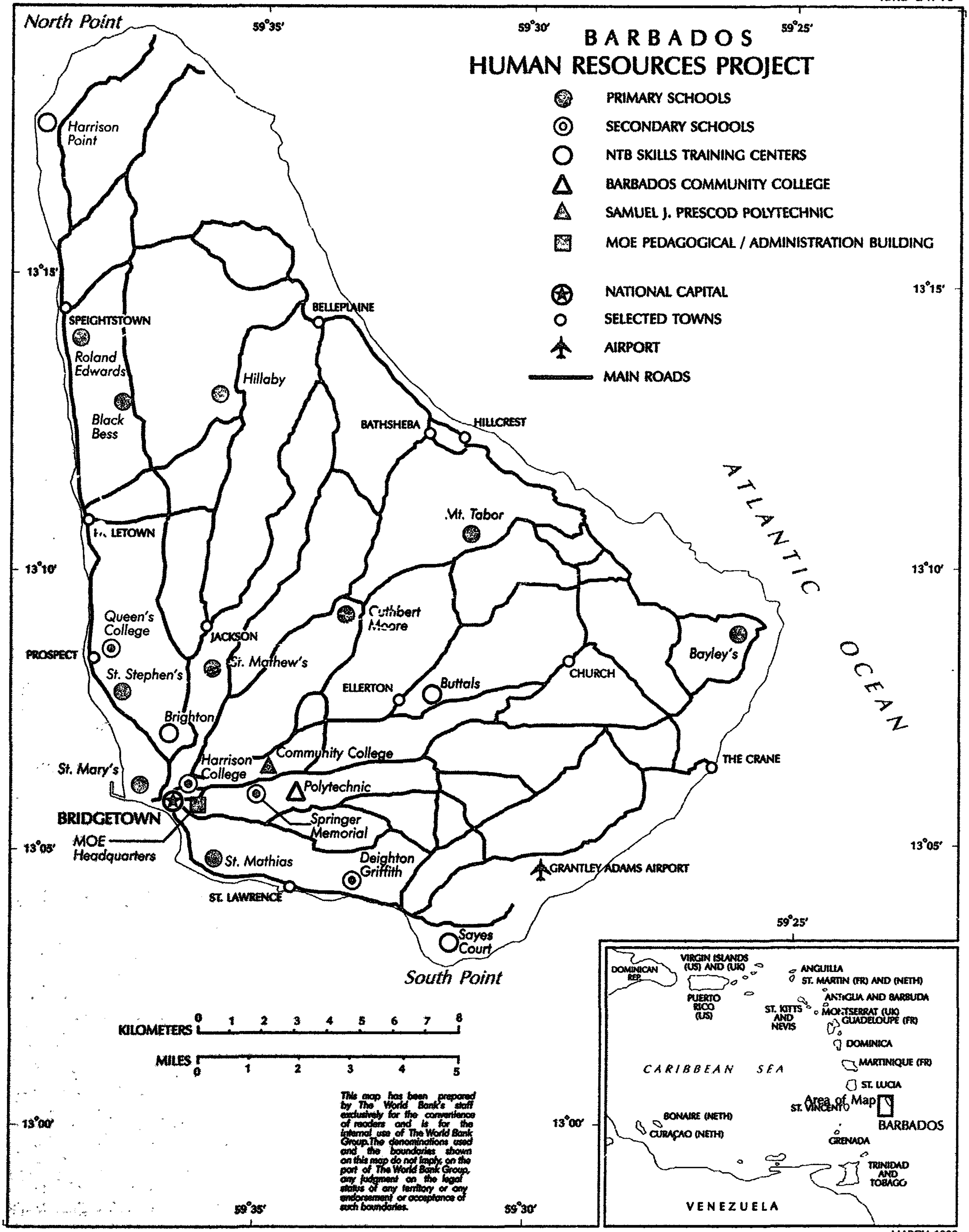
A. Statement of Bank Loans as of April 30, 1993

Loan No.	Fiscal Year	Borrower	Purpose		US$ Million Amount (Less Cancellation) Bank	Undisbursed
8 loans closed					52.7	
L26880-BAR	1986	Barbados	Education II-A		10.0	1.6
L27820-BAR	1987	Barbados	Agricultural Development		4.0	1.6
L34930-BAR	1992	Barbados	Road Maintenance and Rehabilitation		21.2	19.5
TOTAL number of loans = 3					35.2	
			Total		87.9	22.7
			of which has been paid		43.6	
			TOTAL Held by Bank and IDA		44.4	
			Amount Sold	1.3		
			Of which has been repaid	1.3	0.0	
			Total now held by Bank		44.4	
			Total Undisbursed			22.7

B. Statement of IFC Investments as of March 31, 1993

Fiscal Year	Obligator	Type of Business	US$Million Loan	Equity	Total
1984	Caribbean Financial Services Corp.	Finance for productive ventures in the Caribbean		0.3	0.3
1987	Town and Commercial Properties (Barbados) Limited	Tourism	1.3		1.3
	Total Gross Commitments		1.3	0.3	1.6
	Less Cancellations, terminations, participations, sales and repayments		0.2	0.0	0.2
	Total Commitments now held		1.0	0.3	1.3
	Total Undisbursed (including participants)		0.0		

IBRD 24710



MARCH 1993